

[REDACTED]

OCT 3 - 1980

[REDACTED]

NO PROTEST RECEIVED
Release copies to District

Date [REDACTED] 10/30

Dear Applicant:

Surname [REDACTED]

We have considered your application for recognition of exemption from federal income tax under section 501(c)(9) of the Internal Revenue Code.

The information submitted shows that you were formed under a declaration of trust, on [REDACTED], in the State of [REDACTED], to establish a "Workers' Compensation Fund". You will provide workers' compensation benefits to all employees of employers covered by a labor agreement with the Union and the dependents of such employers, all employees of [REDACTED] Association, the union, [REDACTED], and their dependents, and all non-bargaining unit employees of employers having a labor agreement with the union and their dependents. Each employer shall pay contributions to the trust in accord with the labor agreement. You have indicated that the workers' compensation benefits provided by the Fund are intended to provide benefits required under state law and supplement such benefits from time to time depending upon Fund receipts. You also intend to provide a death benefit if lower insurance premiums and reduced claims experience warrant.

Section 501(c)(9) of the Code provides for the exemption from federal income tax of voluntary employees' beneficiary associations providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual.

Rev. Rul. 74 13, 1974-1 C.B. 139, describes an association formed by a corporation to provide workmen's compensation benefits and the corporation was already obligated to pay under state law and concludes that it does not qualify for exemption under section 501(c)(9) of the Code. Since the employees of the corporation were already entitled under state statute to the payment of workmen's compensation benefits, the formation of the association did not result in the receipt of any additional employee benefits.

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[REDACTED]

The association merely ensured the discharge of an obligation already imposed by statute upon the corporation. Although you may provide benefits in addition to worker's compensation benefits, the information submitted shows that you were formed primarily to provide workers' compensation benefits, which are required under your state law. As indicated in Rev. Rul. 74-18, providing benefits required by state law does not result in the receipt of any additional benefits to your members. Rather, the provision of workers' compensation benefits by you merely ensures the discharge of an obligation already imposed by statute upon the employers who are signatories to your Fund.

Accordingly, you do not qualify for recognition of exemption from federal income tax under section 501(c)(9) of the Code.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your trustees, must be submitted in duplicate within 21 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. When sending additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following symbols on the envelope: [REDACTED]. These symbols do not refer to your case but rather to its location.

If we do not hear from you within 21 days, this ruling will become final and copies of it will be forwarded to your key District Director in Los Angeles, California. After that date any questions about your federal income tax status or the filing of tax returns should be addressed to his office.

cc: [REDACTED]

Sincerely yours,

cc: [REDACTED]

[REDACTED]
[REDACTED]
Chief, Rulings Section 1
Exempt Organizations
Technical Branch
[REDACTED]